

Herald INTERNATIONAL Tribune

The Global Newspaper Edited and Published in Paris Printed simultaneously in Paris, London, Zurich, Hong Kong, Singapore, The Hague, Marseille, New York, Rome, Tokyo, Frankfurt.

Amsterdam 10.00 F. London 10.00 P. Paris 10.00 P. Rome 10.00 P. Tokyo 10.00 P. ...

No. 34,014 28/92

PARIS, WEDNESDAY, JULY 8, 1992

ESTABLISHED 1887

A Social Contract Breaks in France

Protesters, Like Forebears, Put Themselves Above Law

By Barry James
International Herald Tribune
The stubborn lawlessness of French truck drivers and farmers shows a disturbing breakdown of the social contract in France and reflects a loss of respect for government, political parties and labor unions.

Observers said it was significant that neither the truckers nor the farmers, whose blockade of French roads has brought economic chaos and misery for travelers, have recognized leaders. As the police broke up some of the truck barricades Tuesday, truck drivers threw up new ones and continued to hold much of the nation at a standstill. (Page 4)



A French policeman pointing his gun Tuesday in Lyon as he ordered a truck driver to get down from the cab of his vehicle.



Mr. Bush with some new Munich acquaintances as he jogged around a local track. On each lap, the number of children running alongside him increased.

In Munich, Goodwill Has Much to Overcome

Uneasy French-American Duet But a New Global Partnership

By Andrew Rosenthal
New York Times Service
MUNICH — Behind the expressions of good intentions here Tuesday on world trade, the Russian evolution and Yugoslavia, President George Bush and President Francois Mitterrand danced a tense minuet with one eye on their own political problems and the other on an increasingly difficult trans-Atlantic relationship.

Carried out in dinners, formal meetings and ad-hoc negotiations in the corridors of Munich's Residenz palace, the meeting of Mr. Bush and Mr. Mitterrand at the seven-nation economic summit meeting seemed to crystallize the problems of the Atlantic alliance as the United States and its European partners try to fit themselves into a post-Cold War order that none seems able to define clearly.

In public, the United States sought to give some credit to Mr. Mitterrand, saying he had spurred the statement on Yugoslavia that was issued by the seven leaders here Tuesday and that Washington would continue to let him lead the European Community's response to the Balkan civil war. Officials from Washington played down the notion that French-American disputes were the major reason for the industrialized democracies' failure to break through to the agreement on world trade that they have been promising for years.

By Don Oberdorfer
Washington Post Service
MUNICH — The leaders of the world's most economically powerful nations took their first collective look at the post-Soviet world here on Tuesday and declared that they saw the makings of a "new partnership" on the global scene.

But they were also forced to grapple with erupting military conflicts ranging from Yugoslavia to the Russian hinterland, suggesting they would need strong nerves in the era ahead, along with more cohesion than they have yet been able to muster.

"We are entering an era where confrontation has given way to cooperation," said the political declaration issued by President George Bush and the other leaders. Since the Group of Seven advanced industrial nations met in London a year ago, Soviet communism collapsed and the Soviet Union, which dominated half the world during the Cold War confrontation, has broken up into 15 disparate and sometimes squabbling pieces.

G-7 Leaders Fail in Bid To Resolve Farm Dispute

U.S. and Europe Move Closer, but No Deal Is Expected at the Summit

By Tom Redburn
International Herald Tribune
MUNICH — U.S. and European leaders failed Tuesday at the Group of Seven summit meeting to resolve the farm dispute that has paralyzed worldwide talks on free trade.

The leaders said they would back UN military action to get aid through to Sarajevo. Page 2. The dollar slumped on comments by Nicholas Brady, the U.S. Treasury secretary. Page 12.

seis the ground rules for trade among more than 100 nations — the European Community and the United States are "much, much closer now to the prospect of a Uruguay Round agreement than we were as recently as five weeks ago," Mr. Baker said.

But Mr. Baker, alluding to the worries in France over winning public approval for the Treaty on European Union, told reporters that a key reason for the delay was that "attention has been diverted in Europe since the Danish referendum to completion of the Maastricht treaty arrangements. We hope that as this settles down, we will be able to follow up."

To Shape Its Destiny, Russia Puts Past on Trial

By Fred Hiatt
Washington Post Service
MOSCOW — The 74-year history of the Soviet Union went on trial Tuesday in a case that President Boris N. Yeltsin said could determine "Russia's destiny."

As demonstrators shouted outside and Communists confronted former political prisoners inside a crowded courtroom, Russia's 13-member Constitutional Court began hearing evidence in what some democratic reformers hope will become Moscow's equivalent of the Nuremberg trials of Nazis.

The proceeding, which could last weeks, quickly took shape as a trial of the Soviet Union itself, with Communists defending the construction of a "great power" and democrats mourning the millions who died in planned famines and in Siberian concentration camps.

President Yeltsin and others depicted the trial as having enormous importance for Russia's future. Both sides warned that an adverse decision would doom Russia's democratic experiment.

L.A.'s Phantom Toll Bus

For a Transit System 'No One' Rides, It Does Big Business in a Car Capital

By Sara Rimer
New York Times Service
LOS ANGELES — Sarah Spitz took the bus once. She was 16 and had no car. She and her friends had gotten a ride from the San Fernando Valley to Hollywood to go to the movies. They took the bus home, and considered it an adventure.

Klosk

Earnings News Depresses Stocks

Wall Street stocks tumbled on Tuesday as disappointing news about corporate earnings depressed the market and unleashed a late flood of computer-driven selling. The Dow Jones industrial average fell 44.03 points, to 3,295.17, dragged down by news about Dillard Department Stores and Georgia-Pacific. (Page 11)

Dow Close	3,295.17
Down	44.03
The Dollar in New York	DM 1.4803
	Pound 1.9832
	Yen 124.05
	FF 5.016

General News
All the talk in the Clinton campaign is focused on the vice presidential guess list. Page 3.
Iraq defied UN order on chemical weapons inspectors. Page 3.



A Serbian gunman, wearing a symbol of the monarchy, taking a nip Tuesday during a halt on his front. Elsewhere in Bosnia-Herzegovina, Serbs were reported advancing on a key town. Page 2.

Stage/Entertainment
A Paris production of "Così fan tutte," directed by John Eliot Gardiner, is a Mozart gem. David Stevens reports. Page 5.
Business/Finance
Jobs stats are raising questions on the U.S. recovery. Page 11.
Telephone deregulation was halted by the EC. Page 13.
Crawford. Page 14.
Weather. Page 2.

Cheney Names A Confidant to Shape Up Navy

Compiled by Our Staff From Dispatches
WASHINGTON — Sean C. O'Keefe, the Pentagon's top financial officer and a confidant of Defense Secretary Dick Cheney, was appointed secretary of the navy Tuesday, taking over a service scarred by sexual misconduct.

Mr. O'Keefe, 36 and with no military service, was appointed for 120 days. Mr. Cheney said he was being named to an acting post because no Senate confirmation was required. A permanent appointment, requiring confirmation, will come in the near future, he said.

At 7 A.M., as the air-conditioned white bus

See RIDE, Page 4

See TRIAL, Page 4

(AP, NYT)

Warning to Serbs: End the Violence Or Face UN Action

By Craig R. Whitney
MUNICH — Leaders of the world's seven most powerful industrial democracies warned belligerents in Bosnia-Herzegovina on Tuesday that they would support United Nations-backed military action if it became necessary to get aid through to civilians in Sarajevo and other parts of the country.

former Soviet territories where nationalities have clashed violently over conflicting territorial claims. There was most concern over their failure so far to prevent aggression in what was Yugoslavia, and there was talk in the corridors and by members of national delegations of using air and sea forces to set up a blockade and to send in ground forces if necessary to break the Serbian siege of Bosnia-Herzegovina.



Barbara Bush, Mila Mulrooney and Diana Amato eyeing the ceiling of a Munich cathedral. Behind Mrs. Mulrooney was Hannelore Kohl.

Pomp, Circumstance, Plenty of Hot Air

By Roger Cohen
MUNICH — The world's economic summit meetings, begun 17 years ago in France, are facing a crisis of credibility. With all the talk, pomp and expense accompanied this year by scant action, people are asking: Where's the beef?

130,000 Russian troops still in the Baltic states will be withdrawn. Nobody is quite ready to expand the Group of Seven to a Group of Eight. But everybody, it seems, needs President Yeltsin as a distraction from routine. Even his early — and apparently disruptive — arrival Tuesday was quickly accommodated. The black-tie requirement for the gala dinner was waived in the case of the Russian president, and Russian women were allowed to wear "short dresses."

But President Francois Mitterrand faces a referendum in September and President Bush an election in November, and both want the support of farmers. So the push was pushed back. This left a delicate problem for the drafters of the final communiqué, due Wednesday. How to encapsulate the progress made and the new determination gathered in a way that would distinguish these talks from the last four meetings?

FRANCE: Public Politeness and Goodwill Do Little to Mask French-American Uneasiness

(Continued from page 1) cooperation. But they grumbled to reporters about Washington's reluctance to agree to a new international conference on Yugoslavia. They said the Americans were blocking — for no good reason as far as France was concerned — a joint nuclear safety fund that would be administered by the French-controlled European Bank for Reconstruction and Development.

Paris wants that body, known as CSCE, to turn to individual countries for peacekeeping missions — a position aimed at diminishing American influence on the Continent. The United States can more easily control NATO than it can the cooperation council.

The French always take a hard line on their European prerogatives, but when the crunch comes, they generally go along. A senior American official said Tuesday. Beyond these geopolitical considerations, the relationship between Mr. Bush and Mr. Mitterrand reflects the extent to which the actions and statements of the leaders meeting in Munich are colored by their political problems at home.

Both presidents are facing important votes this autumn. On Sept. 20, the French will vote on the Treaty on European Union, a ballot also seen as a verdict on Mr. Mitterrand's 11 years in power. Although French opinion polls suggest that a majority will back Mr. Mitterrand on the Maastricht treaty, the French farmers' vote may be sufficient to block him from giving the Americans concessions on food import tariffs.

POLITICS: New Partnership

(Continued from page 1) port for Mr. Yeltsin's reform efforts without busying their own right national budgets will dominate the summit discussions Tuesday night and Wednesday. Even more riveting at the moment is the conflict in Yugoslavia, which has increasingly diverted the attention of the leaders in recent weeks.

U.S. and Japan Block N-Plant Upgrades

By Steven Kinzer
MUNICH — Leaders of the world's seven major industrial nations failed to agree on ways to assure the safety of deteriorating nuclear power plants in Eastern Europe and the former Soviet Union.

Romania, Hungary, Czechoslovakia, Bulgaria and the former Soviet republics are believed to be operating without safeguards required in most Western countries. Among them are 15 plants in Russia, Lithuania and Ukraine that are similar in design to the Chernobyl plant, where a disastrous accident occurred in 1986.

Mr. Bush is fighting an uphill battle to win a second term in November, and his advisers wanted him to return from Munich having demonstrated leadership in international affairs and a concern for American economic problems. Thus, American officials' public statements had to follow a fine line between twin imperatives: not offending their allies and reaching their audience at home.

G-7 Calls for Accord on Kurils Dispute

MUNICH — Japan has won the support of its G-7 partners with their call for a resolution of Japan's dispute with Russia over four islands, a senior Japanese official said Tuesday. But he added that Tokyo still faced tough negotiations with Moscow over the islands off northern Japan that were seized by Soviet forces at the end of World War II.

The chief secretary of the Japanese cabinet, Koichi Kato, said in a statement in Tokyo: "The G-7 leaders agreed on the perception that the northern territory issue is not only a problem between Japan and Russia but a common concern of global importance." The dispute over what Russians call the Kuril Islands and what Japanese call the Northern Territories has prevented the two countries from signing a peace treaty.

Russia's agreement over the weekend with the International Monetary Fund that would enable it to receive a first payment of \$1 billion should clear the way to a more definitive IMF program later this year. Russia's agreement over the weekend with the International Monetary Fund that would enable it to receive a first payment of \$1 billion should clear the way to a more definitive IMF program later this year.

MUNICH: Farm Deal Stalls

Boris N. Yeltsin, arrived in Munich to meet with G-7 leaders. Russia and the other republics would receive a full-scale rescheduling of the estimated \$74 billion in foreign debt accumulated by the former Soviet Union, German officials said. But certain conditions are likely to be attached to the debt relief, according to Germany's finance minister, Theo Waigel.

Munich Police Clash With Demonstrators

MUNICH — German police charged a crowd of anti-summit demonstrators Tuesday night, pushing them away from barricades surrounding the conference site. Many of the protesters in the crowd of about 2,000 had been fired up by reports of alleged police brutality against demonstrators on the opening day of the summit meeting Monday.

WORLD BRIEFS

Croatia Says a Serbian Force Drives Toward a Strategic Town on Border

SARAJEVO (Reuters) — Heavy combat flared in Bosnia-Herzegovina on Tuesday as Serbs battled Muslim and Croatian forces around the northern cities of Brcko and Derventa and advanced, the Croatian radio said, on Bosanski Brod, a key border town. The worst fighting on Tuesday was in the north, where Serbs were trying to push through a corridor to link the Serbian Republic with a Serbian minority region in southern Croatia.

U.S. Indicts Ex-Housing Aide in Fraud

WASHINGTON (AP) — A former official of the Department of Housing and Urban Development was charged Tuesday with 13 felony counts, including conspiracy to defraud and perjury, in the infamously peddling scandal at the department. Deborah Gore Dean, who was executive assistant to then-Secretary Samuel R. Pierce Jr. and worked for the department from 1982 to 1987, conspired to steer department renovation funds to politically well-connected developers, the federal grand jury indictment said.

Jackson Links Zionism to Liberation

BRUSSELS (Reuters) — The Reverend Jesse L. Jackson said at a conference on racism and anti-Semitism on Tuesday that Zionism was a liberation movement and that blacks and Jews should work together to fight hatred. Mr. Jackson called Zionism "a liberation movement whose object is to secure a state for its people." In remarks to the World Jewish Congress, he said, "As the walls come down, any veiled threats of driving Jews into the sea, or driving Palestinians from the land must stop."

Taiwan Lifts Ban on Exiled Activists

TAIPEI (Reuters) — In a major democratic change, Taiwan on Tuesday lifted a decades-old ban on the return of more than 270 exiled dissidents. Most of the activists, many of whom live in the United States, were barred from advocating that Taiwan declare independence and abandon its official goal of reunification with China.

Royal Navy to Acquire a 4th Trident

LONDON (Reuters) — Britain announced Tuesday that it had ordered a fourth Trident nuclear submarine as part of its pledge to maintain an independent strategic nuclear deterrent. Defense Minister Malcolm Rifkind said in response to a question in Parliament that the submarine would be built by the VSEL Consortium at Barrow-in-Furness, in northwest England.

Correction

Contrary to a Washington Post article that appeared in the June 24 edition of the International Herald Tribune, there is no evidence that German-made artillery pieces have been sold to or transferred to Croatia.

TRAVEL UPDATE

French ground mechanics called Tuesday for a strike spread over Friday, Saturday and Sunday at Air France. Their union said its action, for better pay, would "cause trouble for passengers who must travel during this period," but Air France said the strike was not expected to modify schedules. Air-liner will add 17,300 seats to services to southern France, Brittany, Corsica and other European destinations from July 8-12. Two young Americans were injured as they ran through the streets of Pamplona in northern Spain on Tuesday ahead of the herd of fighting bulls, the traditional daily ritual of the annual San Fermin festival. Both were treated in a hospital and released.

The Weather

Table with weather forecasts for various regions including North America, Europe, Asia, Africa, and Latin America. Columns include region, city, and weather conditions/temperatures.

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U.S. Alleges Ex-Envoy Hid Kuwaiti Pay

DENVER — A former U.S. ambassador to Bahrain and two others were indicted on federal charges Tuesday of taking \$7.7 million secretly from Kuwait to promote U.S. intervention in the Gulf prior to the Gulf War.

Stanley is a former Conservative Digest editor. They are charged with having diverted \$5.7 million of the Kuwaiti money for personal profit and hiding the payments to avoid income tax.

The three are said to have abandoned that business after allegations were made linking it with Kuwait. They then created a second organization called The Freedom Task Force.

Neighbors Of Moldova Get Plea for Peace Role

MOSCOW — At least 22 people were killed Tuesday in battles in the separatist Trans-Dniester region of Moldova, and the Moldovan parliament called for peacekeepers from neighboring lands to form a buffer in the combat zone.



Nadezhda Popova, a World War II pilot, giving her opinion Tuesday about the trial of the party.

TRIAL: Court Opens Hearing on 'Russia's Destiny'

could not be compared to the political trials of the Communist era. It is open to the public, he emphasized, with scores of Russian and foreign reporters present. Also, he added, both sides would be permitted to present their cases.

Soviet Union, suggesting that the United States and Soviet Union were equally guilty. "There was a Cold War then with all its hot tricks," Gorbachev said. "All the leading states were involved in it."

Mounting Anger in France

By Alan Riding New York Times Service PARIS — As French riot police began reopening some of the highways blocked by protesting truckers during the past nine days, the government Tuesday became the target of mounting anger over the economic damage caused by its failure to end the dispute.

Many truckers nonetheless set up new blockades just miles from where they had been parked. [A trucker was run over and killed near Maubeuge, in northern France, and six people were seriously injured in traffic accidents related to the roadblocks in the Landes region, bringing the toll after nine days to five dead and eight injured, Agence France-Presse reported.]

Continuation of the truckers' protest over new highway safety measures was a blow to the government, which early Tuesday announced it had reached an agreement with haulage firms and drivers' unions. Most truckers, however, do not belong to the unions.

TRUCKERS: Social Malaise

Paris and other cities took place in defiance of the two main farmers' unions. The farmers are resisting changes in EC policy that they say will drive them from the land. To complicate the situation, some farmers blocked railroad lines because the truck drivers' action prevented their getting produce to market.

RIDE: L.A.'s Phantom Toll Bus

(Continued from page 1) other such neighborhoods are also given to making statements about the bus.

When the bus reached Hollywood, Carol Garriott got on. She was on her way to her job as an accountant.

"I like the bus," she said. "I can read. And I think they should take the single cars off the road."

TRUCKERS: Social Malaise

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"The problem is clearly linked to the breakdown of the unions," said Mr. de Closets. "The leaders do not think that the people at the base do not do what their leaders tell them."

BUSINESS MESSAGE CENTER

Business Message Center listing various services and opportunities.

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AGEDI: Paris 17th 2500 sqm office in luxury house occupied by photo studio, multimedia, training, etc.

Gertrude To Sound... The G... Various real estate and business advertisements on the right margin.

Herald INTERNATIONAL Tribune

Eight Behind Bosnia

A bitter irony unfolds in Sarajevo. Just as the United Nations opens up a humanitarian air bridge to the beleaguered city...

Bosnia now is close to being erased from the map. Increasingly in respect to Yugoslavia the policy question is framed as a choice between military intervention and hand-wringing...

Russia Deserves Help

What a difference a year makes: Just that long ago, the Soviet president, Mikhail Gorbachev, went to the economic summit meeting of the seven industrial democracies...

A bill that eventually will privatize most state-owned enterprises. The fund has applauded these measures but still fears, justifiably, that Russia is printing rubles freely...

Poland's Bleak Season

George Bush's brief visit to Warsaw was a morale-raising mission designed to reassure the Poles that they still have good friends in high places. This message comes to Poland in a bleak season in which political fragmentation and interethnic bickering...

Poland last year because the government was losing control of its deficit. The West earlier had put up a currency stabilization fund of \$1 billion to help Poland make the zloty convertible...

An Ireland Redefined

While few were watching, Ireland has been redefining a once unyielding national tradition. A republic whose founders exalted sovereignty above all is now leading the way to European union while politicians hred to beating the English are seeking a new relationship with an ancient adversary...

Paisley and his deputy, Peter Robinson, are not abandoning their belief that Northern Ireland's six counties should permanently remain part of Britain. But their trip suggests a willingness to discuss grievances more openly and with less rancor...

Baltics: The Russians Should Be Heading for the Door

STOCKHOLM — Last fall the Baltic states finally regained their lost independence. But almost a year has gone by and more than 100,000 Russian troops remain on Baltic territory...

By Carl Bildt
The writer is prime minister of Sweden.
Since 1988, when the freedom movement started in earnest, not a shot has been fired against any Russian, civilian or military...

stronger party. Russia must take the first step and begin a serious pull-out. A suitable gesture would be to leave the Baltic capitals. In Mr. Bildt's view, all Russian military units cannot leave at once...

Russian-speakers can be safeguarded in accordance with relevant international conventions and laws. Minorities in the Baltic countries enjoyed extensive rights during the prewar years. Clear statements from current Baltic leaders that similar policies will be pursued today would be very helpful...

Foreign armies cannot remain in other countries against the wishes of those countries. Clearly the Russian Army will have to leave the Baltic states. The parties concerned need to start thinking seriously and carefully about how to get the job done.

To the Latvians, Good Intentions Aren't Enough

RIGA, Latvia — In the sunny streets of this old Hanseatic city the arts and commerce are flourishing once again. You can buy a bright Baltic seascapes at a street bazaar for a few dollars, and if you listen carefully you can hear Beatles tunes played by brass bands...

By Edwin M. Yoder Jr.
voted accordingly in the referendum last year. The more visible problem lies in the remnants of the old Soviet security apparatus, including a standing Russian army whose numbers can only be estimated...

domination brought a flood of Russian security officials, workers and bureaucrats who almost contemptuously refused to learn the language. This, while the weather is cheerful and the arts are again flourishing in the streets, Latvia has a problem. Russian intentions may be honorable...

In Riga at the moment, hope and aspiration are curiously blended with a sense that Latvian independence is turning on a knife's edge. And bad examples are multiplying elsewhere. Some Latvian nationalists read the disturbing news from Sarajevo and wonder what lesson, precisely, disgruntled Soviet army officers (who tend to retire in numbers in Riga) might draw from Serbia's as yet unchecked aggressiveness against the departing Yugoslav republics...

Some Good May Yet Come From the Judge's Death

ROME — Judge Giovanni Falcone was a friend of mine. He was also a brave and decent man who had taken on an extraordinary job: prosecuting the Mafia on his home turf in Sicily. He was the closest thing Italy had to a living symbol of resistance to organized crime...

It is a system that funnels tens of millions of dollars into the construction of buildings that are never completed. It is a system that controls the water supply in southern Italy and Sicily, and that dictates to farmers what can and cannot be produced. This tyranny cannot last. The Mafia must be destroyed. As the Italian government was able to defeat the Red Brigade terrorists of the 1970s, so Italy will defeat the Mafia...



Halfway to Hell and Stumbling Ahead

WASHINGTON — As this is written, George Bush is in Munich — which, by my reckoning of his 1992 political journey, is almost exactly halfway between New Hampshire and Hell...

By David S. Broder
morning last week with dozens of voters whom CBS had randomly selected from the line of visitors waiting to see the White House. Their questions reflected the national anxiety about taxes, debts and deficits, about jobs, health care, education, crime and drugs...

He made no changes at the top since New Hampshire signaled the seriousness of his re-election problem. And he has not shifted his focus one iota. This week finds him on another international journey, doing what he likes best — practicing summery. But voters preoccupied with problems in their homes, schools and neighborhoods may question the relevance of Mr. Bush's travels as much as they do his handling of the domestic economy...

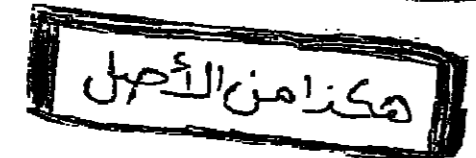
One Conservative's Beef With Perot

As a conservative who watched low taxes and restrained government spending and interference create the world's strongest economy, and who sought the presidency on these principles in 1988, I urge fellow conservatives to be wary of Ross Perot's candidacy. While conservatives may not see President George Bush as the most diligent protector of Ronald Reagan's legacy, I support him for re-election because he understands the policies that made the 1980s prosperous...

Conversely, Mr. Perot has joined the noisy anti-Reagan minority that sees the 1980s as a problem to be overcome rather than a model to be studied. Mr. Perot favors an industrial policy. He wants the government to be able to tell the private sector how to plan its future. He denies that he holds this position, but his denial is implausible given his expressions of admiration for Japan's industrial-policy power base, the Ministry of Trade and Industry — a government cart. America does not need government cartels. He is a protectionist. He opposes the North American Free Trade Agreement. But we know that free trade increases the wealth of both the importer and exporter; we know that free trade increases, not decreases, our prosperity. And Mr. Perot will raise taxes. "You bet we've got to raise taxes," he said in 1987. Last week he added, "Let's assume that we're just unable to pay our bills, unable to meet our obligations, we have to raise our taxes."

— Pete du Pont, Delaware governor from 1977 to 1985, in The New York Times.

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At the Summit Munich & Bavaria

At Central Europe's Center, Change Is Accelerating

One keynote of the world economic summit in Munich is regions in transformation and how to assist them. Few cities and states have gained as great an expertise in this area as Munich and the state of Bavaria.

Bavaria's preparations to go international with a new airport, a new water artery and dozens of infrastructural changes have been accelerated by the political and economic revolution in Eastern and Central Europe.

Germany's largest state and its high-technology center, Bavaria is

60,000 commute from Eastern Germany

not a new state, although it may seem that way sometimes. Driving along the autobahn A9, which runs from Nuremberg to Munich, motorists can see barges adorned with Dutch or Hungarian flags steaming down the Rhine Main Danube canal. People who remember such border towns as Waidhaus or Selb as woody backwaters may be slightly shocked to see the streets of the present-day towns thronging with pan-European shoppers and swappers.

The essentials of the state — its geography and economy — have remained the same. Bavaria is still the largest of Germany's states, although its 70,600 square kilometers (27,250 square miles) now account for only 19.7 percent of the unified country. In 1991, its rate of growth outpaced the country's as a whole, 3.8 percent to 3.3 percent. Exports, led by Europe's most productive electronics sector, amounted to almost 100 billion Deutsche marks (\$156 billion).

The recent changes are highly apparent and easy to enumerate. Three borders have been opened. To link Bavaria to the East German states of

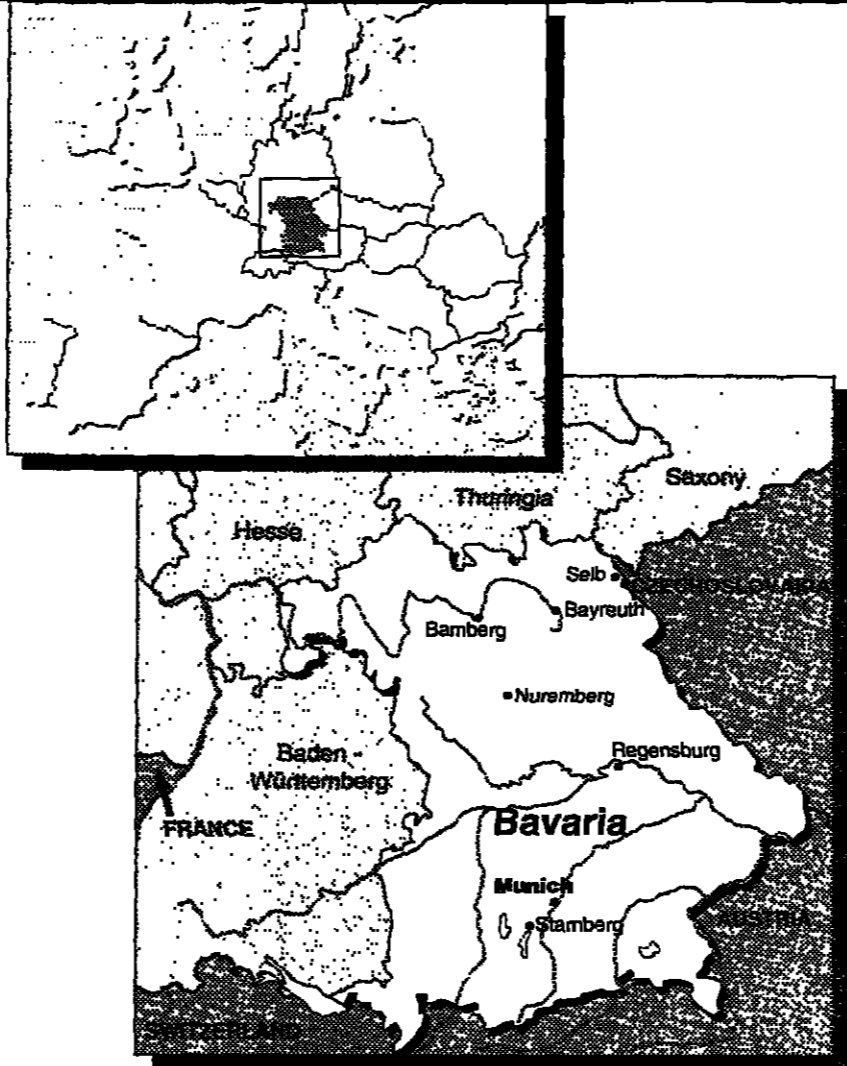
Saxony and Thuringia and to the Czech and Slovak republics, eight rail and road connections have either been rebuilt or upgraded. Two months ago, Munich's new airport was commissioned. Two months from now, the Rhine Main Danube canal will be opened for through traffic from the North and Black Seas. Sixty thousand people now commute every working day to northern and northeastern Bavaria from across what used to be the border to the east, placing the region at the top of the European job creation tables. Trade with Czechoslovakia was up 60 percent in 1991.

The collective impact of the changes is more difficult to grasp. "At the center of central Europe," said a recent headline, citing the proximity of Prague, Budapest and other East European cities.

"A great impetus for the state's trading and manufacturing sectors, as well as for a wide range of service companies," is how August Lang, Bavaria's minister for economic affairs and transport, assesses the positive impact of Central Europe's political and economic reorientation. Mr. Lang is responsible for both promoting growth and finding remedies for its side-effects.

In his view, the down side might be a burdensome concentration of traffic in Bavaria, which could diminish the quality of life and impede business. To forestall this, his ministry has devised a "full-option" approach to channeling traffic to arteries that can handle it.

To help get freight off the highways and onto the railroads, a new



container terminal will be opened in September in one of Munich's eastern suburbs. The ICE express rail network has already proved a great hit with passengers. In what is reportedly the largest infrastructure project in the state's history (8 billion DM), a 200 kilometer ICE line will be built from Nuremberg in Bavaria to Erfurt, capital of Thuringia. Munich's new airport, through its 75 connections to East Europe destinations, can partially shoulder the load of increased numbers of business travelers. Nuremberg's airport has also been completely renovated and expanded.

Mr. Lang is looking at such partially untapped reserves of transport capacity as Nuremberg's harbor (which handles 7 million tons of freight a year) and also envisions the need for new projects. One of them would relieve one of Europe's most congested bottlenecks, the route running from Munich to Verona over the Brenner Pass.

While there is still no final agreement to build the proposed 60 kilometer Brenner tunnel, Mr. Lang is confident that a treaty stipulating its construction will be signed by Germany, Austria and Italy by no later than 1993.

Prosperity Has Brought Growing Financial Muscle

For four decades, Bavaria's purchasing power has been steadily rising, fueled by an expanding business community and cities and rural areas that are in demand. The ensuing flows of capital are now increasingly being channeled outside Bavaria.

The result, in the words of Hans Peter Linss, chairman of the board of Bayerische Landesbank Girozentrale, is that "Bavaria is Germany's investment center."

There are parallels between the rise of the financial-service sectors in Bavaria and in Japan. In both cases, manufacturing successes in the elec-

tronics and automotive sectors were subsequently translated into financial muscle.

"The money is invested in London or New York; the decision to invest it is made in Munich." This piece of traditional wisdom has been dated by recent developments. If the 1980's biggest stories in Bavarian business were Allianz's rise to primacy in Europe's insurance sector and Münchener Rück's consolidation of its leadership in world reinsurance, the lead item in this decade has been the expansion of Bavaria's banks.

Depending on which rankings you read, Munich's Bayerische Vereinsbank has taken over the number three or four slot in German banking. The Hypo-Bank (the Munich-based Bayerische Hypothek- und Wechsel-Bank) is one or two rankings behind it.

The rest of the financial community has kept pace with its two most prominent members. Today, one-quarter of Germany's banks are located in Bavaria, which has about one-seventh of the country's population. Not surprisingly in an area with the country's highest real estate prices (the ski resort Garmisch-Partenkirchen has the most expensive houses and apartments in Germany) and prime agricultural land, one-third of all mortgage-based transactions are conducted by Bavarian finance houses, according to Günther Pickler, chief executive officer of the Association of Bavarian Banks. A remarkable total of 24 of the European Community's 80 private banks have their headquarters in Munich.

24 EC banks have headquarters in Bavaria

Until recently, this formidable array of financial institutions had one primary function: to feed domestic growth by reinvesting the state's capital in local economies.

"Nowadays, Bavaria is Germany's largest exporter of capital," says Mr. Pickler. To provide conduits for these funds, Bavaria's banks have either aggressively pursued financial institutions based in other parts of Germany and the European Community or have set up new branch offices. Areas of focus are, not surprisingly, Eastern Germany and Eastern Europe. The Bayerische Landesbank, the international arm of the state's savings banks, now has representative offices in Prague and Budapest and branch offices in Chemnitz, Dresden, Erfurt and Leipzig.

Despite all its business firepower, Munich is still missing one item standard to all world financial centers: a Wall Street. The point of convergence for Allianz, Bayerische Vereinsbank, Bayerische Landesbank, Münchener Rück and other heavyweights is not a district or even a street. It is, rather, the green expanses of the English Garden.

MUNICH INTERNATIONAL TRADE FAIRS. EUROPE PAYS OFF.

GNP DENMARK DM 100.8 BILLION	GNP LUXEMBURG DM 13.2 BILLION	GNP FRANCE DM 1,801.4 BILLION
GNP UNITED KINGDOM DM 1,574.5 BILLION	GNP SPAIN DM 714.4 BILLION	GNP BELGIUM DM 287.6 BILLION
GNP NETHERLANDS DM 420.6 BILLION	GNP GREECE DM 101.9 BILLION	
GNP ITALY DM 1,427.7 BILLION	GNP IRELAND DM 63.7 BILLION	
GNP FEDERAL REPUBLIC OF GERMANY DM 2,225.5 BILLION		

The single European market has many advantages because new markets open up new sales opportunities. International experts and decision-makers have always found it worth their while to come to the Munich Trade Fair Centre. After all, at the heart of Europe, Munich is both an excellent forum and popular venue for the world of business. Its many international trade fairs specialized in consumer goods, capital goods and high-tech are major attractions for visitors and exhibitors alike. Come to the Munich trade fairs — a visit to Munich always pays off.

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Bayern
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Summer's Many Faces Put Bavaria Ahead

Bavaria welcomes more than 20 million tourists a year, making it Germany's leading state for tourism. The state's capital, Munich, is one of Europe's five leading destinations.

The causes of this popularity are evident and oft-cited: natural attractions, including the Alps, the lakes and forests; cultural attractions, including the Richard Wagner Festival in Bayreuth, the old cities of Regensburg and

million "Prais" ("Prussians" — a local word for all northern Germans) are now busy pursuing the state's manifold pleasures.

With some 100,000 actors, writers, designers and producers, Munich is one of Germany's main cities for the visual media and fashion. The inhabitants flock to see (and be seen at) several summer festivals. The two most prominent are the Film Festival, with its headquarters at the city's Gasteig cultural center, and the Tollwood Festival, which offers music, theater and open air cheer at its sprawling site in the Olympic Park.

But before the evening's cerebral pleasures, a day can be spent enjoying the sun and fun of "Bavaria's Côte d'Azur." This half-mocking designation refers to the belt of mountain lakes to Munich's south (Starnberger See, Tegernsee, Ammersee, Schliersee and Chiemsee). Farther afield in Bavaria, summer festivals in Landsbut, Regensburg, Augsburg and Passau offer a counterpoint of avant-garde culture and cityscapes. Down at the bottom of the state, the Karwendel, Wetterstein and Allgauer Alps do double service: They welcome tens of thousands of climbers, hikers and sightseers while providing a range of cultural and folkloric festivals in Prien, Ruhpolding, Berchtesgaden and other tourist centers.

For many people, the first sight of the Königssee comes from high above. The Watzmann, Germany's second highest mountain, towers above the lake, whose solemn majesty does credit to its history of royal patronage. At the beginning of August, the Königssee will hold its Seefest (lake festival), with its regattas of market and pleasure boats, floating music and theater.

Shortly thereafter, another Alpine lake, the Staffelsee (north of the ski and climbing resort Garmisch-Partenkirchen), will launch its annual Fischerstechen. This consists of boat-based jousting and is more slapstick than sport.

Beer and festivals cater to all tastes

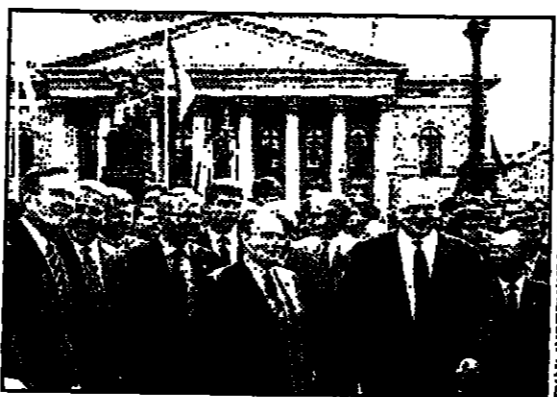
Bamberg, and King Ludwig's castles; and the more profane, like the Hofbräuhaus, Oktoberfest, Andechs cloister and other sites of pilgrimage for the thirsty.

In May, a sweeping assertion appeared in Munich's Süddeutsche Zeitung: "For the young, and this must be commensurately comprehended, Bavaria is no longer simply a state. It has now become a lifestyle." The influential daily added: "A magnet for the young throughout Germany, Bavaria and principally Munich have become synonymous with carefree days spent on the lakes in the sun, and evenings cruising down the Leopoldstrasse or sitting at a beer garden table in the English Garden."

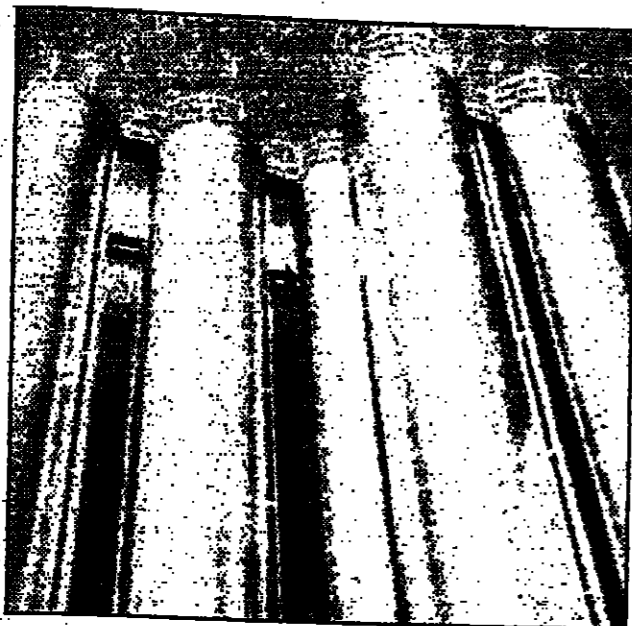
It was the words "now" and "young" which set off a flurry of indignant letters to the editor and call-ins to local radio shows. As was widely pointed out, each generation of residents and visitors has enjoyed its own version of the "Bavarian dolce vita" (in the words of a recent caller). The only change has been in the nature of the pastimes — yesterday's sailing or hay-riding versus today's windsurfing or para-gliding.

Middle-aged mountain-bikers, hunters, people taking the waters at one of Bavaria's spas — the list of groups taking vociferous exception to the idea that youth and its ways have a monopoly on the designation "the Bavarian way of life" reached epic proportions by early June.

A month later, the arguing is over. An exceptionally benevolent summer is in full swing, and 11 million Bavarians, several million foreigners and more than 10



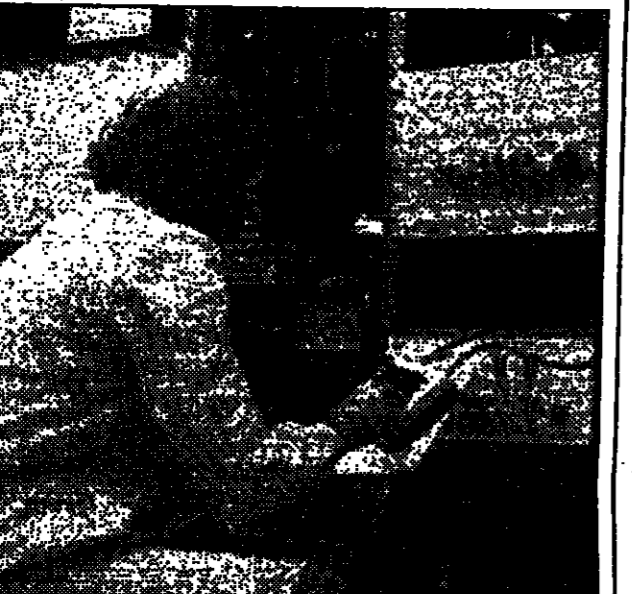
Executive travel in Munich. In front of the National Theater on July 6: George Bush, Brian Mulroney, John Major, François Mitterrand, Helmut Kohl and Kiichi Miyazawa.



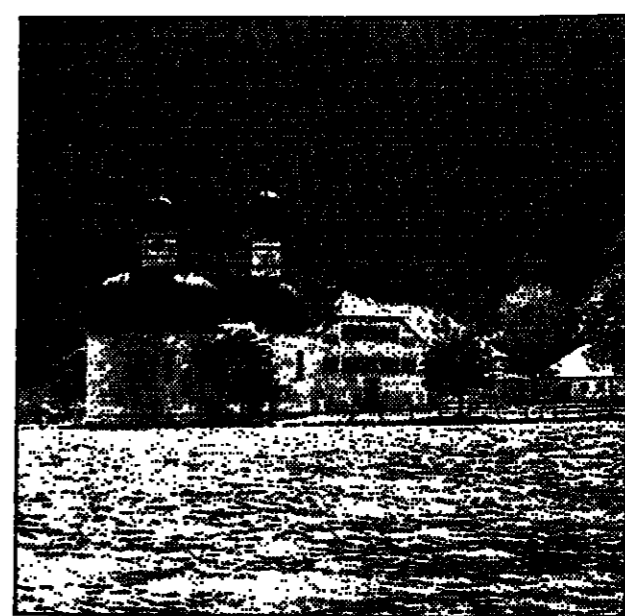
For businesspeople: architecture at its most modern.



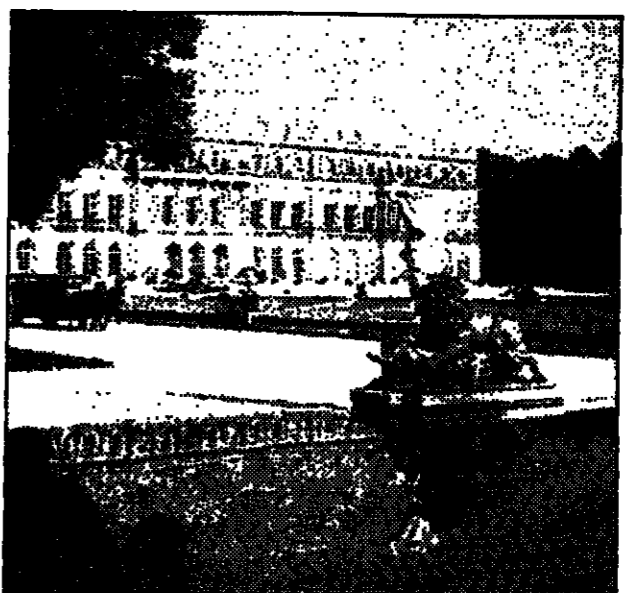
Electronic aides to efficient trading.



Telecommunications at the leading edge of industry.



For tourists: the lakeside beauty of Königssee.



The elegance of a chateau at Chiemsee.

Taking Trade Fairs To the Marketplace

Bavaria's international services sector is engaged in a wide-range transfer of expertise through trade fairs, both in Bavaria and elsewhere, to the benefit of emerging markets throughout the world.

SIB 92 is a trade fair that will be held for the second time in September 1992 in Novosibirsk, Russia, a place long on industrial capabilities and desperately short on international business relations.

The environmental-technology fair TECOMEX 93 also matches a place with a need. Monterrey, where the fair will be staged in October 1993, has one of Mexico's greatest concentrations of people and industry, with all the attendant environmental problems.

From the classic point of view, the job of trade-fair organizations is to make their cities attractive marketplaces for outside businesses and entrepreneurs. And Münchener Messe- und Ausstellungs-gesellschaft (MMG) does that well. It brought 24,000 exhibitors from 80 countries to its 15 trade fairs held in Munich in 1991, and the events attracted some 2 million visitors.

As the exhibitors on trade-fair waiting lists can testify, these totals represent the present limits of MMG's capacity. In 1997, more space will be at hand as MMG moves into new grounds in Riern, an east-

ern suburb. The site, which will feature some 200,000 square meters of covered floor space, is that of Munich's decommissioned airport.

As the involvement of MMG and its international trade-fair subsidiary IMAG in such distant trade fairs as SIB 92 demonstrates, trade-fair authorities can no longer confine themselves to being local market-makers. The authorities are required to be as international as the markets their individual fairs cover. The fact is that an international market, as MMG President Werner Marzin points out, consists of a collection of regional and sectoral markets, each at its own stage of development.

According to Mr. Marzin, key industries in certain regions have specialized needs around which trade fairs have to be configured. Another reason to hold new trade fairs on-site is that this enables the organizers to assemble a critical mass of companies and persons who otherwise might not be able to attend these events.

"It's not possible for everyone to travel to Munich," says Mr. Marzin.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. It was written by Terry Swartzberg, a business journalist based in Munich.

Bayerische Landesbank Bulletin

MONEY AND CAPITAL MARKETS REPORT

INVERSION IN ITS FOURTH YEAR GERMAN BOND MARKET

Among the major industrial countries, only the United States, Canada and Japan still have a normal rate structure. In the other G7 countries, short-term investments yield more than longer-term commitments.

The "topsy-turvy" structure of interest rates observed in Germany since May 1989 is constantly giving rise to conjecture. The rate differentials in favour of investments at the short end, ranging from call money to fixed deposits and medium-term bonds, provide arguments which both pessimists and optimists can use to prove their case.

The pessimists regard the inversion as an indication that interest rates are bound to reverse course in the foreseeable future and start moving up again. In their opinion, the inordinately high public debt and the rapid expansion of the money stock call for a further tightening of monetary policy.

The optimists do not agree. They point to a similar inversion of bond rates in the late 1970s and the early 1980s. At that time, the "shorts" also yielded more than the "longs". In addition, past experience has shown that the periods of interest-rate inversion in the capital market are limited. The period in the previous cycle was 35 months—exactly the number of months capital market rates have been inverted in the current cycle. What is even more important to the optimists: During a period of inversion, interest rates tend to peak and then reverse direction for good. This was the case in the early 1980s: Rates became inverted in September 1979, reached their upper turning point in September 1981, and then returned to their normal pattern in August 1982.

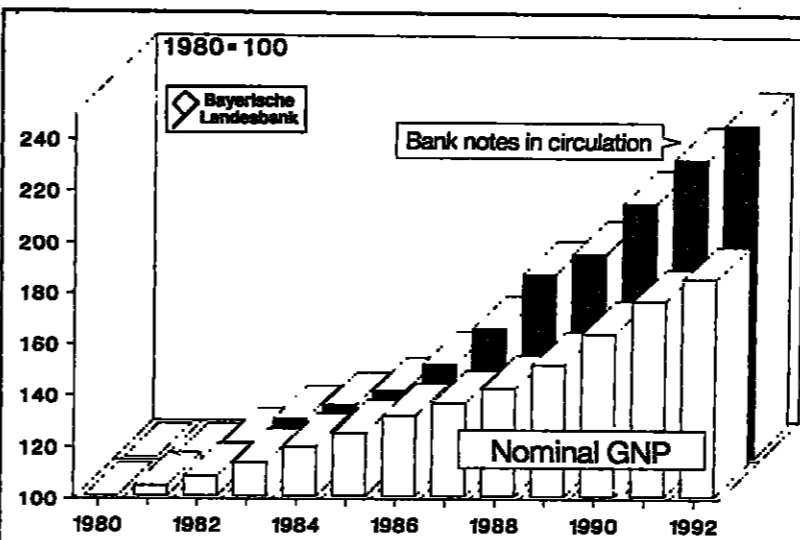
The 1981 precedent

According to those who believe that yields are past their peak in the current cycle, money-market rates will fall noticeably as soon as the Bundesbank relaxes its monetary policy and the large amounts of liquidity still parked in high-yielding fixed deposits will be switched into fixed-income securities, thus accelerating the downtrend in interest rates. This, at any rate, was the course of events after the 1981 peak. The interest-rate situation in most other industrial countries is similar to that in the Federal Republic. The lockstep dance in rates in Europe (in Britain, France and the other European industrial countries) is due to the mechanism of the European Monetary System. In all of these countries, short-term investments offer a higher return than longer-term commitments.

Among the G7 countries, the world's leading industrial nations, only the United States, Canada and Japan have a normal, positive yield curve (short-term rates are below long-term), which is also regarded as desirable from the monetary and stability point of view.

While both the Fed and the Bank of Japan are cutting interest rates to stimulate the economy, the Deutsche Bundesbank is facing a completely different dilemma. The growth rate of the broad-

based money stock M3 (currency in circulation, sight deposits, time deposits for less than four years, and savings deposits at statutory notice) is much higher than the target, although this is partly due to special factors.



Despite a growing trend towards cashless payments, the volume of bank notes in circulation has been outgrowing the nominal GNP in the past few years. If we use 1980 as the base year, note circulation at the end of the year will be some 130 per cent higher than it was twelve years ago. By comparison, GNP grew by a "mere" 85 per cent during this period. German unification gave a big boost to note circulation, which expanded by some DM 20 billion. The disproportionate rise is also due to the fact that foreigner's D-mark holdings have increased. In some countries, the D-mark has obviously become a (value-retaining) parallel currency. This is obvious from the rise in the number of DM 1,000 notes in circulation. While back in 1980 these notes had made up less than 11 per cent of the total note circulation, they accounted for close to 26 per cent in 1991. It is to be expected, given the popularity of D-mark notes in some neighbouring countries, that the note circulation will continue to grow at a faster rate than GNP.

This is why investors and borrowers have adopted a wait-and-see attitude. Although it seems that the key-rate hikes of December 1991 were the culmination of the Bundesbank's high-interest-rate policy, this cannot be taken for granted. Germany's European neighbours are yoked to the Bundesbank's monetary policy via the European Monetary System. This means that they have to follow in Frankfurt's footsteps, unless they are prepared to see their currencies weaken within the margins set by the EMS or agree to a realignment and thus to a redefinition of these margins.

There are two obstacles to a relaxation of monetary policy in Germany: the inflation rate, which is above the level the Bundesbank is willing to tolerate, and the money supply, which is still expanding at a fast rate. True, the rise in consumer prices will—thanks to the base effect (the increase in the tax on hydrocarbons at the middle of last year caused a disproportionate rise in the index)—return to the 3 per cent range as early as in July, but inflationary pressures look likely to mount again in the further course of the year.

Realistically, one should not expect any loosening of monetary policy before the money-supply growth begins to slow down. Until this happens, interest rates will be prone to fluctuations. This all the more, as only a minor stimulus, for example, speculation about a tightening of the rules proposed for the taxation of interest income, is needed to trigger moves in either direction.

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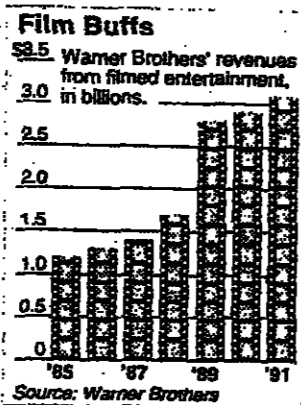
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MEDIA MARKETS

Warner After 'Batman': Studio Builds on Strength

By Bernard Weinraub

Warner Bros. is building on the strength of the studio's recent success with 'Batman'...



Film Bufts Warner Brothers' revenue from film and television...

The confidence and audience of Mr. Daly, as well as the optimism of his second-in-command, Terry Semel...

But it seems justified: their studio is the most successful and formidable in town. Last year, Warner's film-entertainment division marked its ninth consecutive year of record earnings...

The new blockbuster, 'Batman Returns,' grossed \$100 million in its first 11 days, making it only the second movie in history to reach that point so quickly...

Although Mr. Daly, 56, a Brooklyn-born former CBS Inc. executive, and Mr. Semel, Warner's 49-year-old, New York-born president...

They run a mini-empire, having expanded Warner's reach into theatrical distribution abroad, set plans to build up multiplex...

Worst Fall U.S. Jobs Data: Blip or Dip?

In a Year For Sales Worries Persist For U.S. Economy

By Steven Greenhouse

WASHINGTON — For millions of Americans looking for work, and for the presidential candidates...

The jobs report, which showed the unemployment rate jumping to 7.8 percent, led many economists to adopt more pessimistic forecasts...

WASHINGTON — The government reported Tuesday that U.S. wholesale sales decreased 0.9 percent in May...

The Commerce Department report suggested wholesalers, and the retailers who buy their goods, continued to doubt the prospects of a robust recovery from recession...

May's \$145.67 billion of wholesale sales represented the largest drop since August 1991, when they fell 1 percent...

Among durable goods, sales decreased in furniture by 2.5 percent, in lumber by 2.4 percent, and in electrical goods by 2.1 percent...

The Bush campaign should be very nervous about the economy," said Ray C. Fair, a Yale University economist...

Even the more optimistic economy watchers are not predicting much strength in the economy.

Kurt Karl, an economist at the WEFA Group, a forecasting firm, said the economy may narrowly skirt a triple dip...

With the recent weakening in consumer spending and home building, "industrial production will be pushed up by production of auto and light trucks," he said.

The U.S. auto industry reported strong sales for late June, propelled by what executives said was rising consumer confidence...

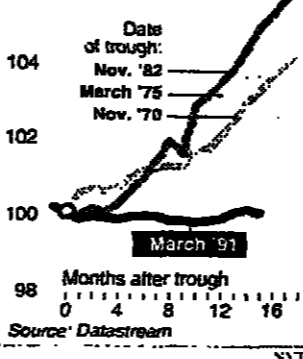
Sales of vehicles built in North America which are considered domestically built — rose 23.9 percent in the last 10 days of the month compared with the period a year earlier.

The seasonally adjusted annual selling rate of North American-built cars for the period of June 21-30 was 7.5 million. For the month, the rate was 6.7 million, up from 6.3 million in May but below the 7.3 million in June 1991.

If This Is Recovery, Where Are the Jobs?

In past cycles, total employment grew sharply after the deepest point of the recession. If the current cycle hit bottom in March 1991...

Nonfarm Employment Seasonally Adjusted



Source: Datastream

"But if the auto industry gets nervous and starts winding down, then there will be a triple dip."

He put the probability of a triple dip at 30 percent, up from his forecast of 20 percent before last Thursday's jobs report.

Robert G. Dederick, chief economist at Northern Trust Co., said: "I think the economy will manage to avoid a triple dip, but it is still going to be a struggle."

In recent months, the administration has boasted about the respectable 2.7 percent growth in the first quarter, but the recovery appears to have slowed since then.

See JOBS, Page 13

Tapie to Exit Adidas With Sale To Pentland

By Alan Riding

PARIS — Bernard Tapie, who made his name as a politician and a businessman, on Tuesday followed up his withdrawal from politics in May by agreeing to sell off his controlling interest in the German sporting-goods company, Adidas AG, to Pentland Group PLC.

The deal will make British-based Pentland, which already markets Speedo swimwear and Pony International shoes, Europe's biggest sportswear concern. Adidas is currently the world's third-largest sporting-goods company after Nike and Reebok.

Speculation that Mr. Tapie would sell Adidas has been growing since the 49-year-old industrialist and Socialist politician resigned his new post as Urban Affairs Minister in late May, days before he was charged with fraud in a dispute with a former business partner.

Mr. Tapie, who has strongly contested the charge, said he could not remain in politics while the case was still in the courts. A rare example of a successful French politician with no party affiliation, he also conceded he would have to choose between politics and business once he cleared his name.

The decision Tuesday, however, does not necessarily signal that he has opted for politics. Rather, it seems motivated by a need to bring order to his debt-burdened business empire.

Bernard Tapie Finance SA recorded losses of \$58.6 million in 1991, ending the year with debts of \$723 million.

In recent months, the company has also sold its stake in the La Vie Claire health food chain, the Donay tennis-racket firm and the TFI television network. Other sales are reportedly planned, although Mr. Tapie seems certain to retain control of Olympique de Marseille, France's champion soccer team.

His association with Olympique de Marseille has boosted his popularity, particularly in southern France, where in regional elections in March he helped prevent the extreme rightist leader, Jean-Marie Le Pen, from winning a key political post. As a reward he was named Urban Affairs Minister.

Looking to the future, Mr. Tapie told reporters Tuesday that he expected to make a gross profit of between \$120 million and \$140 million from the sale of Adidas.

The deal is nonetheless a blow to

See FEARS, Page 12

See ADDAS, Page 13

Mobil Joins Layoff Parade With 2,000 Cuts

The Associated Press

FAIRFAX, Virginia — Mobil Corp. joined a recent band of major U.S. companies announcing big job reductions, saying Tuesday it expected to slash more than 2,000 jobs, or about 10 percent of its salaried work force, by the end of the year.

Mobil said the layoffs, mostly in U.S. petroleum exploration and refining, would be part of a restructuring under way for the last nine months. John Lord, a Mobil spokesman, said additional but much smaller layoffs were expected.

Since last month, Hughes Aircraft Co. said it would trim 9,000 jobs, Aetna Life & Casualty announced 5,000 cuts and Aluminum Co. of America said it would eliminate 2,100 positions worldwide.

Mobil also said it was cutting its 1992 capital appropriations budget by \$800 million because of sluggish world economic conditions.

Allen E. Murray, the Mobil chairman, noted that late last year, the company cut its 1991 budget for capital projects by \$1.1 billion, from almost \$6 billion to \$4.9 billion. When the 1992 capital budget of \$4.8 billion was approved in March, Mr. Murray had warned \$800 million would be cut unless business conditions improved.

FAA Is Holding Back U.S. Airlines With Outdated Delays, Study Finds

By Paul F. Horvitz

WASHINGTON — The single most important barrier to the health of U.S. airlines is an outdated system of on-ground delays required by regulators at the Federal Aviation Administration, a U.S. consumer group said Tuesday.

The FAA does not have enough air-traffic controllers and should hire 3,000 more, according to a study by the Aviation Consumer Action Project. The group is affiliated with Ralph Nader's Citizen Action organization.

The study found that before the 1981 strike by U.S. air-traffic controllers, which ended in the strikers' dismissal, an route separation of aircraft averaged 5 miles (8 kilometers). Today it averages 10 miles to 20 miles because of round-the-clock "flow control" directed by controllers in the FAA's Washington headquarters. This holds down the airline's ability to produce revenue.

Only lucrative international routes are keeping the major carriers afloat, but carriers are reluctant to complain about the domestic traffic situation for fear of losing in the competition for overseas routes, the study found. The Transportation Department, the FAA's parent agency, grants licenses for overseas routes.

"Traffic remains unnecessarily delayed by FAA in order to limit volume to a level manageable by the still understaffed and inadequately trained air-traffic control work force," the study said.

An FAA spokesman, who had not read the report, said the FAA did not handle licenses for overseas routes and had not heard any complaints from the airline industry about "flow control" delays.

A Reprieve for Travelers Air travelers got a three-day reprieve Tuesday from higher ticket prices as America's major airlines took a second look at their planned increases. The Associated Press reported from Dallas.

American Airlines and United Airlines late Monday postponed their competing fare rises until Friday. Northwest Airlines said it would follow their lead and also delay proposed fare increases.

American, the industry's most influential price setter, also decided to tinker with its proposal. The rest

of the airlines, meanwhile, waited for a clearer direction. "It's nuts," said Amy Spreeman, a spokeswoman for Northwest, as the company watched its two larger competitors jockey.

American and United both proposed 4.4 percent increases, but they were based on different price levels. United pegged its increase to current fares, while American used higher April prices. Those fares were later deeply discounted and have not risen back to that level.

American originally planned to raise prices in 830 flight markets whose fares had fallen below mid-April levels. But the carrier decided to leave most of those fares below

April levels due to pressure from United and Northwest, which put out the first fare increase proposal last month.

About 70 transcontinental flights and about 30 flights from Dallas-Fort Worth International Airport will still be hiked 4.4 percent above the higher April levels, an American spokesman said.

That means a one-way New York-Los Angeles ticket, which on Monday cost \$380, will still increase to \$480 Friday. A Chicago-Los Angeles trip, however, will rise from \$290 to \$300, instead of \$400 as originally planned.

In recent weeks, American has drawn criticism and lawsuits from competitors for its pricing tactics, including its part in a half-price fare war in late May.

CURRENCY RATES

Table with columns for Currency, Bid, Ask, and other financial data.

Other Dollar Values

Table with columns for Currency, Bid, Ask, and other financial data.

INTEREST RATES

Table with columns for Eurocurrency Deposits, Bid, Ask, and other financial data.

Key Money Rates

Table with columns for Bid, Ask, and other financial data.

Asian Dollar Deposits

Table with columns for Bid, Ask, and other financial data.

U.S. Money Market Funds

Table with columns for Bid, Ask, and other financial data.

GOLD

Table with columns for Bid, Ask, and other financial data.

TOP FUNDS!

Table with columns for Bid, Ask, and other financial data.

Denver Sales Center advertisement for Colorado Development Land, including details on land parcels, pricing, and contact information for FGB Realty Advisors Inc.

MARKET DIARY

Remarks by Brady Fuel Dollar's Drop

NEW YORK — The dollar dropped to about a 17-month low against the German currency Tuesday, after the U.S. Treasury secretary, Nicholas F. Brady, said he was not bothered by its fall below 1.50 Deutsche marks.

The dollar fell to 1.4903 DM, from 1.5125 DM, and suffered similar sharp losses against the other

main European currencies. The dollar last traded below 1.5 DM in February 1991.

Christopher Bourdain, manager of foreign-exchange sales for Credit Suisse, said: "Trading was quiet, until traders heard a statement from Treasury Secretary Nicholas Brady. The impression in the market was that he was not terribly concerned if the dollar dropped below 1.50 German marks."

Dealers said Mr. Brady's comments signaled the United States was not getting what it wanted at the summit meeting in Munich of the Group of Seven and had decided to achieve its goals through a devalued currency.

Before Mr. Brady's comment on television, the Treasury secretary had said Germany would be lowering its interest rates soon. But German government sources quickly jumped in and said any lowering of German rates would come when economic conditions were right.

Analysis noted the counterattack came from the government, not the Bundesbank, which is often more

strident about containing inflation than German politicians. The key factor behind dollar weakness is the high interest rate differential between the United States and Germany. Federal funds, or overnight interbank U.S. loans, traded at an interest rate of below 3 percent late Tuesday, compared with 9.70 percent for German call money.

Against other European currencies, the dollar fell to 1.3406 Swiss francs from 1.3550 and to 5.0160 French francs from 5.0940. The pound rose to \$1.9332 from \$1.9110.

The dollar did better against the yen, slipping to 124.50 from 124.320. There has been speculation of an interest-rate cut in Japan.

In the metals markets, meanwhile, silver took a beating after heavy selling from the Middle East. On the Commodity Exchange, silver for delivery this month dropped 15.5 cents, to \$3.873 an ounce.

Dealers said the silver market had been bearish but lethargic in recent months, with the metal trading between \$3.95 and \$4.15. But they were astonished by the ferocity of the breakout and the scale of the selling, which appeared to come through U.S. brokers from an undisclosed Middle East source.

Some analysis tied the silver sales to the Bank Credit & Commerce International scandal. Most selling, they said, was done by National Commercial Bank of Saudi Arabia whose chief operating officer resigned after having been charged in connection with the scandal. (Reuters, Bloomberg, UPI)

FEARS: Investors Wary on Profits (Continued from first finance page) mates for the retail giant. Dillard was the most-active NYSE issue.

The declines in those two issues, plus negative earnings news at Micrograph, Symantec and Microcom, led to a general sell-off that brought a late bout of computer-driven sell programs.

Weakness in corporate earnings data mirrored other recent developments in the U.S. economy, which benefited the bond market.

The 30-year Treasury bond, the market bellwether, rose 9/32 of a point, to 104 21/32, reducing its yield to 7.60 percent from 7.62.

The fall in interest rates forced corporations to turn to the bond market for funding, and \$4 billion of debt was offered in 17 transactions on Tuesday. Many of the issues offered small premiums to less-risky Treasury bonds, but most sold quickly.

Among active New York Stock Exchange issues, Marion Merrell Dow followed Dillard, plunging 6 1/2 to 27 1/2. The Food and Drug Admin-

The Dow Daily closings of the Dow Jones industrial average

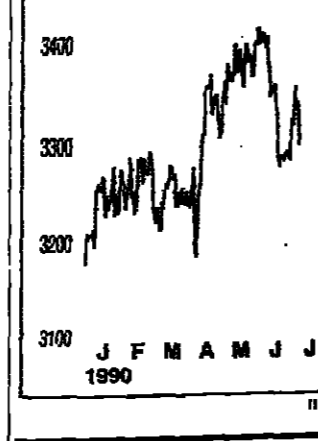


Table with columns: Vol, High, Low, Last, Chg. Lists NYSE Most Actives including Dillard, Drexel, and others.

Table with columns: Vol, High, Low, Last, Chg. Lists AMEX Most Actives including Apple, Intel, and others.

Table with columns: Class, Prev. Lists NYSE Diary including Advanced, Declined, and Unchanged.

Table with columns: Class, Prev. Lists AMEX Diary including Advanced, Declined, and Unchanged.

Table with columns: Class, Prev. Lists NASDAQ Diary including Advanced, Declined, and Unchanged.

Dow Jones Averages

Table with columns: Index, High, Low, Last, Chg. Lists Standard & Poor's Indexes including Industrials, Finance, and SP 100.

Table with columns: Index, High, Low, Last, Chg. Lists NYSE Indexes including Composite, Industrials, and Finance.

Table with columns: Index, High, Low, Last, Chg. Lists NASDAQ Indexes including Composite, Industrials, and Finance.

Table with columns: Index, High, Low, Last, Chg. Lists AMEX Stock Index including Composite, Industrials, and Finance.

Table with columns: Index, High, Low, Last, Chg. Lists Dow Jones Bond Averages including 20 Bonds, 10 Industrials, and 10 Utilities.

Table with columns: Index, High, Low, Last, Chg. Lists NYSE Odd-Lot Trading including July 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31.

Table with columns: Index, High, Low, Last, Chg. Lists S&P 100 Index Options including July 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31.

EUROPEAN FUTURES

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists SUGAR (PO), COFFEE (PO), and other futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists METALS including ALUMINUM, COPPER, and ZINC.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists 3-MONTH STERLING (LIFFE) and other interest rate futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists 3-MONTH EURO DOLLAR (LIFFE) and other interest rate futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists GRAINS including WHEAT (CBT) and SOYBEANS (CBT).

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists SOYBEAN MEAL (CBT) and other grain futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists METALS including HI GRADE COPPER (COMEX) and SILVER (COMEX).

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists LIVESTOCK including CATTLE (CME) and PORK BELLIES (CME).

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists HOGS (CME) and FEEDER CATTLE (CME).

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists CATTLE (CME) and HOGS (CME).

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists COFFEE (CME) and SUGAR (CME).

U.S. / AT THE CLOSE

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists LONG GILT (LIFFE) and other international futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists STOCK INDEXES including FTSE 100 and Nikkei.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists SPOT COMMODITIES including Aluminum, Copper, and Zinc.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists DIVIDENDS including American Express and IBM.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists OIL SKIDS (NYMEX) and other energy futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists EURO DOLLARS (IMM) and other currency futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists GERMAN MARK (IMM) and other currency futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists JAPANESE YEN (IMM) and other currency futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists SWISS FRANC (IMM) and other currency futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists COTTON (NYMEX) and other commodity futures.

Table with columns: Class, High, Low, Prev. Close, High, Low, Close, Change. Lists PLATINUM (NYMEX) and other commodity futures.

Safeway Posts Decline in Earnings

OAKLAND, California (UPI) — Safeway Inc., one of the world's largest food retailers, said Tuesday that its second-quarter net income fell 6 percent to \$33.3 million from the comparable period last year.

Sales slipped 2 percent to \$3.45 billion, including deflation in perishable economy, low food-price inflation — including deflation in perishable foods — and heightened competition in certain markets. Safeway also said it cut interest expenses by refinancing \$1.6 billion of debt.

Phillips Oil Sees \$100 Million Net BARTLESVILLE, Oklahoma (Bloomberg) — Phillips Petroleum Co. said Tuesday it expected to report second-quarter net earnings of about \$100 million, compared with income of \$16 million in the same quarter a year earlier.

In 1991, the company had a \$17 million charge for early retirement of debt. NEW YORK (Bloomberg) — Moody's Investors Service Tuesday said it may lower its ratings on \$3 billion of Shell Oil Co.'s bonds, stripping the sixth-largest U.S. oil company of its coveted Aaa rating and making it more expensive for Shell to borrow.

A Shell spokesman said the company expected to boost its operating profit by almost \$800 million this year and to cut its work force by up to 15 percent. Shell is currently raising \$250 million through a note sale.

General Motors Plans Stock Offering NEW YORK (UPI) — General Motors Corp. announced Tuesday plans to offer \$50 million of Series D fixed-rate preference stock that will be noncallable for seven years.

GM said the dividend rate would be based on prevailing market conditions at the time of pricing. The offering would be in the form of 14 million depositary shares with a stated value of \$25 a share, each representing one-fourth of a share of GM's Series D preference stock.

For the Record Digital Equipment Corp. unveiled its Vax computer line, which would be available in September and is supposed to offer customers an easy transition to the company's Alpha microprocessor technology. (Reuters)

HomeFed Bank of San Diego, the eighth-largest U.S. thrift, was taken over by the government. It is the largest savings and loan to fail. (WP) Micrograph Inc. stock plunged in over-the-counter trading Tuesday with the company's prediction that first-quarter earnings would about break even, less than expected. The stock closed at \$7.75, down from its 52-week low of \$13.50 Monday. (Bloomberg)

Oil Skids on Weak Demand

LONDON — Oil prices fell about 50 cents a barrel Tuesday, amid sharply weakening demand for crude. In London, oil lost 45 cents, falling to \$30.12. By the close in New York, the August contract for crude on the Mercantile Exchange had dropped 51 cents to \$21.38.

The International Energy Agency, in its monthly oil market report, said worldwide demand was weakening while supplies were increasing. It found that demand for oil in the second quarter by the 24 members of the Organization for Economic Cooperation and Development was 37 million barrels a day, unchanged from a year earlier. As a result, the IEA revised its estimate of OECD oil demand for the year down slightly to 38.6 million barrels a day.

But supplies are increasing, the IEA said. The Organization of Petroleum Exporting Countries lifted production for the fourth straight month, pumping 23.8 million barrels a day in June. Oil exports to the West from the former Soviet Union also increased.

WORLD STOCK MARKETS

Large table listing stock market data for various international markets including Amsterdam, Helsinki, Hong Kong, Brussels, Frankfurt, London, Milan, Johannesburg, Sao Paulo, Singapore, Zurich, Stockholm, and Montreal.

Saudi Banker Quits Over BCCI

JDDA — The chief operating officer of Saudi Arabia's biggest bank resigned on Tuesday as a result of his indictment last week in the United States on fraud charges related to the Bank of Credit & Commerce International bank scandal.

Sheikh Khalid bin Mahfouz of the National Commercial Bank of Saudi Arabia, and an associate, Haroon Kahlon of London, were charged in New York on July 1 with defrauding customers of the collapsed BCCI of \$300 million.

The National Commercial Bank said Sheikh Khalid had resigned to devote time to fighting "the unwarranted charges brought against him in New York." The bank said it was "fully confident" of his innocence.

U.S. FUTURES

Table listing U.S. futures market data for Grains, Soybeans, Soybean Meal, Metals, Livestock, and Financial.

U.S. / AT THE CLOSE

Table listing U.S. market data for Stock Indexes, SP Comdex, NYSE Composite, and Commodity Indexes.

Large vertical advertisement on the right edge of the page, partially cut off, featuring the text 'Airlines Set To Reduce Big Losses' and 'WARNER: ...'.



Airlines Set To Reduce Big Losses

GENEVA — World airlines may post losses of about \$2 billion on scheduled international services this year, the International Air Transport Association said Tuesday.

LATA officials stressed that final losses for the year would depend on how airlines fared over the summer vacation season.

According to IATA, which represents more than 200 airlines worldwide, the Gulf War and the recession produced losses of \$6.7 billion in 1990-91, \$4 billion of that last year.

The big question for the airlines at the moment is the degree of financial recovery that can be expected in 1992, said the IATA director, Ginter Eber.

The IATA chief said growth in passenger traffic in the first five months of this year, running 5 percentage points ahead of growth in last year, was encouraging.

But he said passenger traffic was only 8 percentage points higher than in 1990 and freight traffic was only 4 points higher.

JAL Weighs Route Cuts Japan Air Lines said Tuesday it was studying whether to suspend flights to Denmark and India as part of a plan to reorganize money-losing international routes.

A Tarnish on the Gold Rush Ex-U.S. Envoy Still Seeks East Bloc Riches

By Peter Maass Washington Post Service BERLIN — When he was U.S. ambassador in Hungary two years ago, Mark Palmer was known as the apostle of the gold rush, trumpeting potential rewards for American businessmen who invested in the post-communist societies.

Now, as one of those businessmen, he has learned that the gold, if there, is buried under mountains of trouble.

The investment company he heads, Central European Development Corp., is being sued by an estranged partner. Many of the others have jumped ship. The firm's offices in Budapest and Prague have been vacated.

After two years, CEDC has one investment in Hungary, three in the eastern part of Germany and one in Estonia. According to investors in Moscow's department store, GUM, were ignored.

Negotiations with the German privatization agency nearly drove Mr. Palmer over the edge, he said. "There were moments when I thought I was going to take a steak knife and kill somebody."

Now CEDC consists of a staff of 10 working in a walk-up office along a fashionable street in western Berlin. Its future hinges on a \$540 million real-estate project in eastern Berlin, adjacent to the former crossing point known as Checkpoint Charlie.

As an activist U.S. envoy, he drew wide attention for his crusade to recruit foreign investment. At the height of it all, he shocked Washington by practicing what he preached. He quit to become president and chief executive of CEDC, which was formed by a group of North American tycoons.

EC Plan to Deregulate Phones Is Put on Hold

BRUSSELS — An EC Commission proposal to deregulate international telephone services in the European Community has been indefinitely postponed, a commission official said on Tuesday.

The proposal was drawn up by the competition commissioner, Leon Brittan, but is opposed by a number of other commissioners, the official said.

The commission is responsible for proposing European-wide legislation, which must then be adopted by the Community's Council of Ministers.

The official said that at least six of the other commissioners object to Mr. Brittan's deregulation plan, which they believe would penalize government-owned phone companies in the more remote areas of the Community.

The proposal was aimed at bringing down cross-border telephone charges by allowing private companies to compete with public telephone utilities.

In many EC countries, the cost of cross-border phone calls is as much as four times more than domestic phone calls of the same duration, even when the distances are identical, according to a commission inquiry.

The EC official said the commissioners who objected to the plan argued that deregulation would act as a disincentive to public phone companies to invest in national networks. The commission believes about 100 million European currency units (\$137 million) must be invested in phone networks in the more remote areas of the Community during the next decade.

The plan was originally scheduled to be discussed by the 17 commissioners at their weekly meeting on Wednesday, but has now been taken off the agenda.

Investor's Europe

Table with columns for Exchange, Index, Tuesday Close, Prev. Close, and % Change. Rows include Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, Amsterdam CBS Trend, Brussels Stock Index, Frankfurt DAX, Frankfurt FAZ, Helsinki HEX, London Financial Times 30, London FTSE 100, Madrid General Index, Milan MIB, Paris CAC 40, Stockholm Affarsvarlden, Vienna Stock Index, Zurich SBS.

Very briefly:

- Sema Group, the British software and information-technology company, said it was in talks with France Telecom on an industrial partnership. Paribas, which owns 39 percent of Sema, is also negotiating with France Telecom over its shareholding.
- Lasmo North Sea PLC said it was swapping four of its North Sea exploration blocks for five blocks owned by British Petroleum PLC.
- The European Court of Justice ruled that Britain could continue to impose different retirement ages for men and women.
- Ericsson-Stette International SpA, a unit of LM Ericsson Telefon AB, said it had signed a 45 billion lire (\$39.3 million) contract with Shell Petroleum Development Co. to update its telecommunications network in Nigeria.
- Philips Electronics NV said the Avex video-recorder joint venture between its Austrian unit Oesterreichische Philips Industrie GmbH and its Czechoslovak partner Testa Bratislava had been liquidated.
- Swedish unemployment rose to 4.6 percent in June from 2.2 percent in June last year, according to the Swedish Central Bureau of Statistics.
- The rating of Statalnka Ceskoslovenska, the central bank of the Czech and Slovak Federal Republic, was placed under review by Moody's Investors Service with direction uncertain.
- Romania's currency, the leu, fell to 345 against the dollar, a 38 percent decline in one month of trading under new foreign-exchange rules.
- Berlin said the number of non-German companies setting up offices there doubled in the first half of the year.

EC Backs Tunnel Night Train

BRUSSELS — The EC Commission said Tuesday that it would approve a joint venture between five national railroad operators to run luxury night trains through the Channel Tunnel.

The companies involved are British Railways Board, Societe Nationale de Chemins de Fer de France, Deutsche Bundesbahn, Nederlandse Spoorwegen and Belgium's Societe Nationale de Chemins de Belgique.

The commission, the executive body of the European Community, said it had had extensive contact with the companies involved and it would be able to approve the plans when it was formally notified of the joint venture as required under its antitrust rules.

The venture would not be allowed to create a monopoly on passenger services through the tunnel, and the commission said the five railways "are fully aware of these conditions, which have been presented to them in writing in the last few weeks."

The EC said the parties would have to make all necessary services available to any public or private competitor.

WARNER: Batman and Beyond

(Continued from first finance page) movie theaters in Europe and, perhaps most significant, signed a series of big production and distribution agreements.

"Look, we're not just 'Batman and Lethal Weapon,'" said Mr. Daly, seated in his elegant office. "We have an enormous television business — some 30-odd television series. We have an enormous library, we have the largest video company in the world, we have a big merchandising business, we're now in the store business, opening Warner stores around the country. You can't survive on just 'Batman and Lethal Weapon.'"

Last year, the studio's television operations produced 21 series, including the Emmy-winning "Murphy Brown." Warner Home Video, which generates \$1 billion in annual revenue, operates in 46 nations, more than any other studio. The company is rapidly expanding its number of stores.

Within Hollywood, the Daly-Selme regime is privately criticized by competing studios for its play-it-safe movie tastes, its perennial use of big stars in too many duetters — like Bill Murray in "Quick Change" and Chevy Chase and Dan Aykroyd in "Nothing But Trouble" — and the company's seemingly impenetrable bureaucracy that leaves big decision-making almost totally in the hands of its top two executives.

JOB: Do Data Spell Blip or Dip?

(Continued from first finance page) pickup in the first half of 1991 was abated later that year when consumer confidence evaporated and consumer spending slid.

Donald Ratschak, director of the economic forecasting center at Georgia State University, said a full-fledged recovery also was being held back by overbuilding in commercial construction and by demographic changes that mean there are fewer young people buying cars, furniture and houses.

But he added that households were reducing their debt burdens and that the construction overhang was declining.

Some economists questioned the accuracy of June's jump in unemployment because it was so much more negative than other recent reports. Some said that the employment report was done a few days earlier in June than many other June jobs reports, and that, as a result, it may have overcounted the number of unemployed students and undercounted the number of payroll jobs because the survey was done slightly before employers added their normal contingent of students.

There were predictions that the jobless rate could fall substantially in July because students who entered the work force to find jobs might quickly give up their searches and thus will no longer be counted as unemployed.

ADIDAS: Tapie Set to Sell Stake

(Continued from first finance page) his image as a businessman. Just as his seven weeks as a cabinet minister marked the high point of his political career, his purchase of Adidas in July 1990 was his most ambitious business operation to date. At the time, he described it as "the deal of my life."

Having built up his fortune by acquiring small and medium-sized companies threatened with bankruptcy, he found himself struggling to keep up payments on \$398 million worth of loans acquired to buy Adidas. Adidas itself also saw its profit fall from \$155.9 million in 1990 to \$66.4 million last year. Its 1991 revenue was \$2.3 billion.

Pentland's chairman, Stephen Rubin, who last year sold his group's 32 percent share in Reebok, noted that Adidas remained one of the world's best-known trade marks. "Despite disappointing results of late, we are confident there are good prospects for an improvement in its performance," he said.

A consortium headed by Adidas's chief executive made a last-minute bid to buy the company from Bernard Tapie Finance GmbH. Under the terms of Pentland's acquisition of a 20.05 percent stake last year, however, Pentland retained the right to match any other offer.

NASDAQ

Tuesday's Prices NASDAQ prices as of 4 P.M. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Large table of NASDAQ stock market data with columns for Stock, Div, Yld, PE, High, Low, P.A., and Chg.

AMEX

Tuesday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Table of AMEX stock prices including columns for High, Low, P, and various stock symbols like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Table of AMEX stock prices (continued) with columns for High, Low, P, and various stock symbols.

Table of AMEX stock prices (continued) with columns for High, Low, P, and various stock symbols.

NYSE

Tuesday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Table of NYSE stock prices including columns for High, Low, P, and various stock symbols like A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Table of NYSE stock prices (continued) with columns for High, Low, P, and various stock symbols.

Table of NYSE stock prices (continued) with columns for High, Low, P, and various stock symbols.

Large advertisement for 'FRENCH COMPANY HANDBOOK 1992' featuring a map of France, a crossword puzzle, and contact information for the publisher, Herald of Eribune.

Vertical advertisement on the right edge of the page, partially obscured, with text like 'Going Pri...', 'ment Make...', and 'Gibank Sec...'.

Going Private in Vietnam
Garment Maker Considers Sale of Stock

HO CHI MINH CITY — The garment maker Legemex says it is waiting for the go-ahead from Hanoi to become Vietnam's first state-owned company to privatize and to sell shares to foreigners.

Local newspapers said this meant it would not be allowed, but Western businessmen said the government would probably approve the sale of shares to foreigners on a case-by-case basis at least until Hanoi revised its current company law.

Citibank Sees Vietnam Branch in 1993

HONG KONG — The chairman of Citicorp, John Reed, said Tuesday that he expected the banking concern would be allowed to open a branch in Vietnam in 1993 if the U.S. economic embargo against the country was lifted.

Asked when the company's Citibank unit would be able to set up a branch office, he replied, "I would have to guess next year."

Royal Construction to File for Protection

TOKYO — Officials of Royal Construction Co. said Tuesday company would apply to a court later in the week for protection from creditors.

Royal's largest shareholder is the privately held Royal Airlines, with a 37 percent stake.

Failed Talks Hit Stocks in Hong Kong
Sales of Imported Cars In Japan Edge Up 2%

HONG KONG — Prices on the Hong Kong Stock Exchange plunged almost 2 percent Tuesday as the British-Chinese impasse over financing the colony's new airport spurred fears of prolonged discord.

TOKYO — Sales of imported cars in Japan rose by 2 percent in June from a year earlier, the first advance in 18 months, the Japan Automobile Importers Association reported Tuesday.

Investor's Asia table with columns for Hong Kong, Singapore, Tokyo, etc. and a line graph showing market trends.

Very briefly:

- Thailand has decided to scrap a 65 billion baht (\$2.6 billion) rail project for Bangkok.
India's key stock exchanges in New Delhi, Calcutta and Madras were closed for the second straight day as a government effort to unravel a major securities scandal continued.

Unilever Buys Thai Ice Cream Firm

LONDON — Unilever PLC said Tuesday that its Thai division bought the Foremost Friesland (Thailand) ice cream business from Friesland Frico Domo for an undisclosed amount.

IMF Says Surplus In Japan's Trade Soared in Quarter

WASHINGTON — Japan sold \$28.2 billion more in goods and services abroad than it imported in the first three months of this year and was the only one of five major trading countries to show a surplus, according to the International Monetary Fund.

Large financial table with columns for various international funds, including ABC INVESTMENT & SERVICES CO, MALABAR CAP MGMT, and others. Includes a section for 'Other Funds' at the bottom.

For information on how to list your fund, fax Simon OSBORN on (33-1) 46 37 21 33.

SPORTS BASEBALL

The Next Reorganization Ought to Look Like This

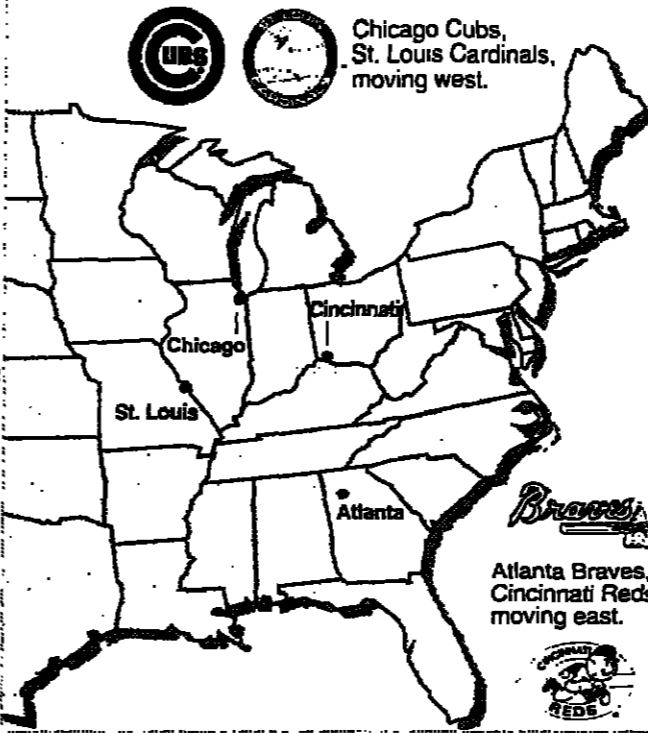
By Dave Anderson
NEW YORK — Ruling that the Chicago Cubs and the St. Louis Cardinals will switch divisions with the Atlanta Braves and the Cincinnati Reds in the National League next season, Commissioner Fay Vincent did what the owners didn't do: He looked at a map.

Vantage Point

What will happen to the NL and AL tradition? Tradition is not the problem. The designated-hitter rule is the problem. The best solution would be to eliminate the DH. Play baseball the way it's supposed to be played, with the manager having to make a decision on whether or not to remove his pitcher for a pinch-hitter.

If Then Was Now

Table showing 1992 standings for Eastern and Western Divisions of the National League.



Cubs Sue to Block Transfer

The Associated Press
CHICAGO — The Chicago Cubs filed suit Tuesday against the major league baseball commissioner, Fay Vincent, in an attempt to stop their forced reassignment to the National League West.

Puckett And Twins Stay Hot

Compiled by Our Staff From Dispatches
The Minnesota Twins are hot, and they can thank Kirby Puckett. Puckett, who is hitting .426 over his last 11 games, hit two home runs in a 13-inning Minnesota attack Monday night that routed the New York Yankees, 10-5, at Yankee Stadium.

For Kip Gross, Pitching for Dodgers Was Fun While It Lasted

Compiled by Our Staff From Dispatches
Kip Gross did not join the Los Angeles Dodgers in their group embrace Monday after they swept their second doubleheader at home in four days, but that doesn't mean he didn't celebrate.

AMERICAN LEAGUE

their ninth in their last 10 games and 16th in 19 outings. Puckett smacked two doubles and a single, drove in two runs and scored twice, and the Twins scored eight times in the first three innings.

SCOREBOARD

Table of baseball transactions including acquisitions, releases, and other team news for various clubs.



Rob Harmeling of the Netherlands, left, winning the Tour de France's third stage Tuesday ahead of Belgium's Sammy Moreels.

BASEBALL

Major League Standings

Table showing current major league standings for the American League.

Monday's Line Scores

Table of Monday's line scores for various baseball games.

NATIONAL LEAGUE

Major League Standings

Table showing current major league standings for the National League.

Monday's Line Scores

Table of Monday's line scores for various National League games.

Lead Now a U.S. Citizen

NEW YORK — Ivan Lendl was sworn in as a U.S. citizen on Tuesday, a spokesman for the tennis star said. The Czechoslovak-born Lendl took the oath of allegiance in a private ceremony in the Immigration and Naturalization Service office in Hartford, Connecticut.

CRICKET

THIRD TEST
England vs. Pakistan, Last Day
The match was a draw, 2-2. England led by 100 runs at the end of the first day.

CYCLING

Tour de France
Results in Tuesday's third stage, a 218-kilometer (136-mile) race from Paris to Bordeaux: 1. Rob Harmeling, Netherlands, 7:04.2 hours.

The Root of All Evil Flourishes Nicely in The Italian Summer

LONDON — "They offered an enormous, quite immoral amount." When Gian Mauro Borsano, president of Torino, used those words to appease voters angered by his selling of Gianluigi Lentini to AC Milan, it could almost be guaranteed the Church of Rome would get involved.

Rob Hughes

While disaffected Torino fans try to wash tears from their eyes, the Lentini saga scales down somewhat: 18.5 billion lire is now said to be the fee Milan is to pay Torino, with the player receiving 4.4 billion lire per season for four years.

Advertisement for AT&T USADirect service, featuring the AT&T globe logo and text: 'AT&T USADirect Service can get you home from over 100 countries.'

Table of international dial access numbers for AT&T USADirect service across various countries.

OBSERVER

A Dulcimer Lesson

By Russell Baker
NEW YORK — Jefferson is taking dulcimer lessons. Yes, Tom Jefferson, the famous world man. Learning to play the dulcimer. I ask it's because dulcimer is such a beautiful word. Maybe he has been smitten by that beautiful line of Coleridge's: "A daisied with a dulcimer in a vision once I saw..."

Crushed by the righteousness of my indignation, Jefferson becomes melancholy, which improves my day. Since I am not as smart as Jefferson I can at least feel morally superior to him. Feeling morally superior is the perfect antidote for the gravest case of mental vacuity.

On reflection, I decide not to. My long suit with Jefferson is moral superiority. Instead of reading him a lesson in comparative history, I tell him his famous Declaration of Independence is a disgrace: an arrogant announcement that one tyranny — the tyranny of dead white males — intended to fight another.

All men were created equal, they had said, ignoring women. As they ignored the African-Americans they enslaved, native Americans whose land they had stolen. Asian-Americans who would provide their grandchildren with sweated labor 100 years hence. And corrupt old historians called them Founding Fathers!

Jefferson: But why then do you still celebrate our Declaration? Oh Tom, so dense for one so bright. You'll never make it on late-night TV. We need all the three-day holidays we can get.

New-Era Russian Opera: Kirov Wins

By John Rockwell
NEW YORK TIMES SERVICE
ST. PETERSBURG — The Kirov Opera, which made its American debut Monday evening at the Metropolitan Opera House, was unfortunately preceded to New York by the Bolshoi Opera of Moscow last summer at the Met and by the St. Petersburg National Opera. Earlier this year at the New York State Theater. Thus, many people may not realize that the Kirov Opera operates on an altogether higher level.



Valery Gergiev: "It was not a star track."

The Kirov, which shares its 175-member orchestra and the Mariinsky Theater with the Kirov Ballet, is currently the best Russia has to offer in terms of big, bold productions deftly blending old and new dramatic values, with stirring singing and thrilling choral and orchestral work.

It is doing so because the 38-year-old Gergiev, who took over artistic direction of the company in 1988, has asserted himself in almost every area of its operations. Old-fashioned conductors were tyrants, not democrats, and the soft-spoken Gergiev seems to be proving that the best results in a fledgling democracy like Russia's can be obtained with the fervor of a benign dictator.

He started with a Mussorgsky Festival in 1989, presenting all five of the composer's operas, along with symphonic and chamber programs. A Prokofiev Festival followed in 1991-92, featuring four new productions ("The Fiery Angel," "War and Peace," "The Love for Three Oranges" and "The Gambler") within eight days.

The Musorgsky series was done in modified form at the Edinburgh Festival; the Prokofiev is planned for the Opera Bastille in Paris in 1994, and there is to be a Rimsky-Korsakov Festival in St. Petersburg in the same year.

For Gergiev, the restoration of so many Prokofiev operas, long in official disfavor, was an important step. "For the Kirov," he said, "Prokofiev was a new language, a new force, new ideas. We are learning new feelings, a new tempo in our work. The music started to give energy to the people."

Gergiev is no fanatic avant-garde firebrand, determined to uproot time-honored traditions. Opera in St. Petersburg dates to 1736, only 33 years after the founding of the city by Peter the Great.

The first theater was built in 1783, and the current building came in 1860. Between then and World War I, the Maryinsky company counted as one of the most important in the world. It was renamed in 1934 for Sergei Kirov, an assassinated friend of Lenin's, and today neither the opera nor the ballet wants to give up the brand name.

Gergiev has been willing to invite flashy Western directors into his temple of Russian tradition, as David Freeman's production of "The Fiery Angel," with its writhing naked and near-naked bodies, proves. But he is also eager to retain classic set designs, some dating back before the Russian revolution.

"The 'Khovanshchina' seen recently, and preserved on video for future release, dates from 1953, when so much of Russian cultural life was suddenly liberalized after Stalin's death.

Some Western visitors have found it archaic theatrically, but Gergiev, who has introduced new staging ideas and substituted Shostakovich's performing edition for Rimsky-Korsakov's, loves it for just that reason.

"It's not just old-fashioned," he said. "I wanted to document it because it's good to fix on video things we have in our repertory that are beautiful and that one day may be lost or die."

As a student, Gergiev won the Soviet Union's most prestigious conducting contest, the All-Union Competition in Moscow, and the Herbert von Karajan Conductors' Competition in West Berlin.

Instead of plunging directly into the international concert scene, Gergiev signed on in 1978 as an assistant conductor at the Kirov Opera under Yuri Temirkanov. Though he graduated the next year to permanent conductor, a hard apprenticeship lay ahead. "It was not a star track," he said. "But it was the only way to learn this very, very complex business of opera."

In the early '80s, his career blossomed. He became chief conductor of the Armenian State Orchestra in 1981 and regularly led new productions at the Kirov. A Wagner "Lohengrin" in 1982, he said, won him recognition both inside and outside the company.

By 1987, his international career was gaining momentum, with a particularly strong base in Holland (thus his relationship with the Dutch Philips label).

PEOPLE

Forbes List of Richest: A \$9 Billion Mistake

Forbes, which lists the world's richest, has admitted that it made a \$9 billion goof last year in estimating the worth of the Reichman brothers of Canada, who own Olympia and York, the beleaguered commercial landlord. As it issued its 1992 list of billionaires, the magazine explained it had pegged the Reichman family's 1991 fortune at \$7 billion when its liabilities actually exceeded assets by \$2 billion.

John Fairchild, publisher of Women's Wear Daily, will jump out of a cake Thursday in the windows of Barneys New York — in a mannequin form, that is — to mark the 20th anniversary of W, the broadsheet weekly.

Devotees of Lewis Carroll believe they have found what inspired his Cheshire Cat. In a church in Croft, England, where the author's father was rector, is a carving of a cat's head smiling. From the perspective of a small boy, all that can be seen is the grinning mouth. Said Alice in watching the Cheshire Cat disappear: "I have often seen a cat without a grin, but not a grin without a cat."

Ringo Starr, on tour with his All-Starr Band, received a roaring welcome back in Liverpool. "Thank you, it's great to be back," he told about 2,000 fans. Starr turned 52 on Tuesday. "Another rock veteran, Jerry Lee Lewis, 56, canceled a concert in Zurich after he collapsed in tears with stomach cramps. "He was mentally confused," concert promoter Harry Swenson said. "He sobbed: 'The audience doesn't love me anymore.'"

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